

Marketing Channels & Strategies

Terry A. Gipson, Ph.D. Virginia State University

Introduction

Since 1990 in the Southeastern United States, at least nine major international, national and regional meat goat production symposia have taken place (see appendix). In addition, several publications on improving meat goat production in that same geographical location have been written and distributed (see bibliography for partial listing). Many goat experts view the Southeastern United States as ripe for the expanding meat goat industry. Why? The answer is simple: demand. If one were to look at a balance sheet state-by-state of goat numbers and goat consumption, only one state would have a large positive balance on the side of goat numbers and that state is Texas (Pinkerton et al., 1994). Although Texas has a large population of goat aficionados, it has approximately 72%, more than 1.6 million head, of all the goats in the United States. Over half of the remaining 49 states would have a zero balance mainly because both goat numbers and consumption are small. The rest of the states would have a fairly large negative balance on the side of goat consumption because their goat numbers are relatively small while consumption is high. Thus, these states need to import live goats or goat meat in order to meet local demand. Florida and the states of the urban Northeast fall into this latter category. The states of the Southeastern United States are well positioned geographically to supply goats to these two areas of high demand. However, simply increasing goat numbers is not the answer. Well organized marketing strategies are needed to ensure profitability for goat producers. The objective of this paper is to examine the factors influencing demand and to define existing and potential marketing channels and strategies for the meat goat industry, especially for Virginia and the surrounding Mid-Atlantic States.

Demand

In this section, we will examine two indirect indicators of goat meat demand, National Agricultural Statistical Service slaughter data and Foreign Agricultural Service import/export data. We will also investigate seasonal trends in goat meat consumption and who are the goat meat consumers.

Domestic Slaughter

The demand for goat meat has continued to increase dramatically over the last decade and a half. In 1977, the first year that USDA began keeping statistics on goats slaughtered at federally inspected plants, approximately 35,000 goats were slaughtered nationwide (Figure 1; NASS,

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Marketing - Gipson page 2

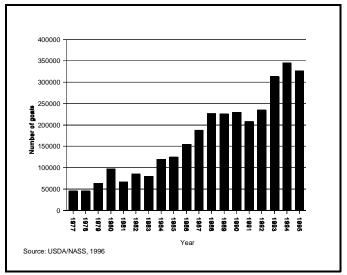


Figure 1. Number of goats slaughtered at USDA-inspected facilities from 1977 to 1995.

1996). Before 1977, goat numbers were tallied with sheep numbers and knowing exactly how many how goats were being slaughtered at these plants was impossible. By 1993, slaughter numbers had risen to over 300,000, essentially a 900% increase over the 16-year period. On average, slaughter facilities have accounted for approximately 60% of the total number of goats slaughtered. Slaughter numbers from 1993 have remained above 300,000 with a peak slaughter number of nearly 350,000 in 1994, which was the second year of the three-year phase-out of the Wool and Mohair Incentive program. With the loss of the incentive program, Texas mohair producers are sending

marginally productive Angoras to market (Pinkerton and Harwell, 1994). After the August/September 1994 shearing season in Texas, the number of goats slaughtered in federally inspected facilities surpassed 10,000/week for the first time ever.

These goat slaughter numbers pale in comparison to the slaughter numbers of the other red meat species, cattle and sheep. However, of the three only goat numbers have significantly increased over the last decade and a half. The other two have decreased or remained steady.

It should be noted that goats also pass through other slaughter channels, e.g., state-inspected slaughter facilities and on-farm slaughter. Data on these other slaughter channels are unavailable

or nonexistent. Therefore, knowing exactly how many goats are slaughtered in the United States annually is not possible. However, NASS data does suggest the trend in the number of goats slaughtered and in the demand for goat meat in the United States which is increasing significantly.

Import/Export

Even with this significant increase in domestic slaughter, the United States is a net importer of goat meat (Figure 2; FAS, 1996). Since 1989, importation of chilled/frozen goat meat has continued to increase while exportation of goat meat

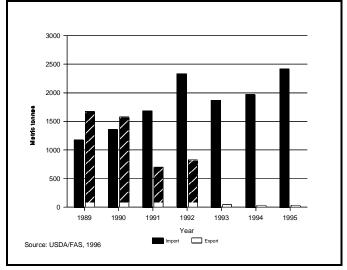


Figure 2. Import and export of frozen/chilled goat meat from 1989 to 1995.

Marketing - Gipson page 3

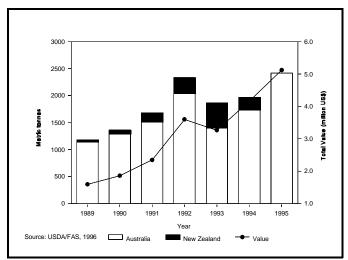


Figure 3. Metric tonnage, country of origin and value of imported frozen/chilled goat meat in US from 1989 to 1995.

has decreased. Goat meat that was once exported to Canada, Mexico and the Caribbean is now being diverted to satisfy domestic demand. Last year the United states exported approximately 35 metric tons but imported nearly 2,500 metric tons. On a live goat equivalent, the United states imported nearly 180,000 goat-equivalents, based on a 30 lbs. carcass, to satisfy demand. If these FAS data are coupled with the NASS data, then one-half million goats were slaughtered last year to satisfy domestic demand of which nearly 35% were imported. In 1989, the United States imported 1,200 metric tons of frozen or chilled goat meat

valued at \$1.7 million (Figure 3; FAS, 1996). In 1995, imports rose to 2,400 metric tons valued at \$5 million. That is \$5 million that could be in the pockets of the American goat producers. Where does this large quantity of imported goat meat originate? Basically, only two countries are net exporters of goat meat worldwide and they are Australia and New Zealand. Both countries have large populations of feral goats and periodically these goats are rounded-up and harvested for export. New Zealand's share of the importation peaked in 1993 and then declined to zero in 1995. The New Zealand peak has been attributed to a devastating drought in Australia that greatly reduced feral goat numbers in the early 1990's but from which Australia has since recovered (Pinkerton, 1995).

Seasonal Trends

The demand for goat meat seems seasonal. Many goat producers have cited Easter, Muslim holidays, 4th of July and Christmas as periods of peak demand for goat meat. However, only Easter is substantiated as a peak demand using the NASS weekly data. The number of goats slaughtered doubled the two weeks before Easter. The increased demand for goat meat at Easter is predominately attributed to the "Easter kid" market. This market is driven by the Greek and Italian ethnic populations residing in the urban Northeast. Except the cabrito market of Mexico, there might not be a year-round market for kids. The 4th of July, Christmas, Eid al-Fitr and Eid al-Adha do not significantly affect the baseline number of goats slaughtered (see Table 1 for Islamic holidays and explanation). A possible explanation as to the nonsignificant effect of the Muslim holidays on goat slaughter is that the goat meat market is largely an ethnic market. The author has visited several slaughter facilities that cater to the Muslim (halal) slaughter trade. These wholesalers/retailers see only a slight increase in goat slaughter volume preceding the two Muslim holidays. They feel that the Muslim clientele is the group that bought goat meat last week and will be the ones buying goat meat next week. Another possible explanation for the nonsignificant effect of the two Muslim holidays is that culturally Muslim prefer to slaughter the small ruminants themselves for these holidays. It is possible that for these holidays, Muslims are

purchasing animals and slaughtering them on-farm. Unfortunately as was stated earlier, statistics for on-farm slaughter are nonexistent, therefore this hypothesis is untestable.

Table 1. Important Islamic Dates (Hijra 1416-1421)

| | New Year | Ashura | Mawlid | Ramadan | al-Fitr | al-Adha |
|------|------------|------------|------------|------------|------------|------------|
| 1416 | 05/30/95 | 06/08/95 | 08/08/95 | 01/21/96 | 02/20/96 | 04/28/96 |
| 1417 | 05/18/96 | 05/27/96 | 07/28/96 | 01/10/97 | 02/08/97 | 04/17/97 |
| 1418 | 05/08/97 | 05/17/97 | 07/17/97 | 12/31/97 | 01/29/98 | 04/07/98 |
| 1419 | 04/27/98 | 05/06/98 | 07/06/98 | 12/20/98 | 01/19/99 | 03/28/99 |
| 1420 | 04/17/99 | 04/26/99 | 06/26/99 | 12/09/99 | 01/08/2000 | 03/16/2000 |
| 1421 | 04/06/2000 | 04/15/2000 | 06/14/2000 | 11/27/2000 | 12/27/2000 | 03/05/2000 |

Eid al-Fitr and Eid al-Adha are two major Islamic festivals in which sheep and goat meat play an important role. Eid al-Fitr is the festival of the breaking of the month-long fast of Ramadan. Muslims are required to fast from sunrise until sunset during the ninth month (Ramadan) of their calender year. Fasting requirements vary from sect to sect but generally a Muslim may not eat, drink or even swallow his/her own spittle during daylight hours. After sunset, food and drink are allowed but the observer is generally so dehydrated and exhausted that they only things they care to do are drink water and sleep. The breaking (al-Fitr) of the month-long fast is indeed cause for celebration and a lavish feast of beef, mutton and goat meat is prepared. The preference is for dishes prepared with mutton and goat. Eid al-Adha is a festival in celebration of God's deliverance of Abraham's son, Ismial, from the sacrificial altar. In the Koran, a ram was substituted for Ismail. On this feast day, every male head-of-household is required to slaughter a fatted ram but a goat may be substituted for the ram. Ashura is a celebration in remembrance of the martyrdom of the prophet Mohammed's grandsons. Mawlid is celebrated in honor of the prophet Mohammed's birthday

Ethnic Populations

The portion of the American population that has a taste for goat meat appears to be increasing. Pinkerton and coworkers (1995) estimated that a majority of the approximately 61,000 immigrants per month over the last decade are goat meat consumers. At the turn of the century, the majority of the immigrants to the United States were from Europe. After World War II, immigration patterns shifted and now the majority of the immigrants to the United States come from Latin America, Asia, India and Africa. The three largest goat consuming ethic populations are Hispanics, Muslims and the peoples from the Caribbean. According to the most recent census information, Hispanics number more than 19 million, Muslims 14 million and peoples from the Caribbean slightly less than two million. Hispanics are located predominately in Texas, California and the Southwestern United States; however, sizable populations live in New York City and other cities of the urban Northeast. The vast majority of the Muslims in the United States reside in the urban belt stretching from Washington, D.C. to Boston, MA. Two cities in

the United States account for a majority of the Caribbean immigrants, Miami and New York City (Pinkerton, 1995).

Each of these three ethnic groups have different preferences as to the type and weight of the carcass purchased. Hispanics prefer either young kids, cabrito, weighing 15-25 lbs. liveweight or young goats that yield a 25 lbs. carcass (approximately 50 lbs. liveweight). Muslims prefer a slightly heavier carcass in the 35 lbs. range (approximately 70 lbs. liveweight). Muslims also prefer a lean carcass and will discriminate against an overly fat carcass because they think that the retailer is trying to slip them a sheep carcass in place of a goat. Animals destined for the Muslim market must be slaughtered in halal fashion with specific rituals and personnel prescribed by the Koran. Muslims prefer to purchase a carcass with its head on, so that they know that it has been slaughter in the halal style. This presents no problem for sheep which are typically hornless but is a problem for goats which are naturally horned. Federal inspection regulations require that horns be taken off the carcass at the time of slaughter. If the horns are not taken off properly, the carcass can be contaminated and therefore condemned. Processors feel that dehorning a carcass does not warrant the time and effort required and generally will take off the heads of goats. Peoples from the Caribbean, especially Haitians and Jamaicans, prefer mature bucks from which they prepare goat's head soup and other dishes that are reported to have aphrodisiac qualities (Pinkerton, 1995). Goat curry, a popular goat dish for Jamaicans and Haitians, requires "cubed" bone-in pieces of meat which can be and is often derived from older, poor-conditioned goats.

It is often proposed that the meat goat industry concentrate on increasing goat meat consumption among the non-traditional consumers, i.e., Americans of European ancestry. This is usually proposed in conjunction with a marketing emphasis on developing packaged retail cuts of goat meat which can be sold in supermarket chains. It has been noted by several authorities on marketing that this is an uphill battle (Pinkerton et al., 1994; Degner, 1996). This section of the population consumes very little goat meat and is predicted to remain at this low level in the foreseeable future. However, if the low fat aspect of goat meat was promoted the health-conscious segment of the American population regardless of ethnic origin might be an important target for marketing.

Marketing Channels & Strategies

Marketing channels for typical red meat are depicted in Figure 4 (Degner, 1996). All of these channels exist for the marketing of goats in Virginia; however, livestock auctions dominates the others. In Virginia, other marketing channels include direct sales to consumers (on-farm sales), cooperative marketing and sales to processors (slaughter facility operators). In this next section, we will examine these four channels and strategies to improve them.

Livestock Auctions

Livestock auctions are convenient because they offer a year-round and a local outlet for marketing goats; however, they generally allow the lowest profit margin for producers. It is important to note that not all livestock auctions are created equal when it comes to marketing

Marketing - Gipson page 6

goats. Generally, goats marketed at livestock auctions in the Tidewater and Piedmont regions bring a lower price than livestock auctions located near Interstate 81 in the Valley. The livestock auctions in the other two regions, especially those in the Piedmont, feed those in the Valley, which in turn feed the livestock markets in south central Pennsylvania. There are livestock auctions in the Tidewater and Piedmont that are exceptions and are known as goat markets. However, the author has seen essentially identical animals in the same time frame sell for \$5 to \$10 more per head in the Valley as compared to the Piedmont area.

On the East Coast, goats from as far away as northern Georgia and South Carolina flow northward into the Pennsylvania markets. However, the mainstay of these markets are Texas goats. Theses livestock auctions are extremely large goat-wise compared with similar auctions in Virginia. It is not uncommon for 400 to 500 goats to go through one sale and there are two goats sales per week at some of the larger livestock auctions. The question arises "Why Pennsylvania?". South-central Pennsylvania is geographically located at the doorstep of the goat-consuming universe; Washington DC to Boston.

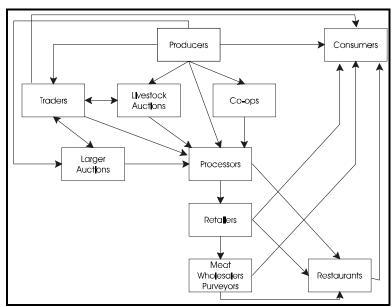


Figure 4. Typical marketing channels for meat animals. (Degner, 1996)

In a recent survey conducted by Cooperative Extension at Virginia State University, seventy-four percent (74%) of goat producers responding said they used livestock auctions to market their goats. This is the most popular marketing channel for Virginia producers.

The simplest strategies for improving marketing through livestock auctions is to choose a livestock auction, i.e. Valley or Pennsylvania, that routinely handles goats over one that occasionally handles them. The goat producer will have to balance the possible increased costs of transportation with increased revenues and decide what is the minimum number of animals needed to make the longer trip to the Valley or to Pennsylvania. Another strategy is to work with local livestock auctions to periodically have a goat sale where several local producers collectively market their animals. Timing of these local sales should correspond to a period of demand and be well-advertised in advance.

Direct-to-consumer

On-farm or direct sales to the consumer offer the greatest profit margin on live animals for the producer because all middlemen and their fees have been eliminated. It offers a year-round marketing outlet; however, it has its disadvantages. Because the meat goat trade is ethnically driven and bargaining is a cultural norm for many of these ethnic groups, the goat producer will need to become adept at bargaining. For many Americans this is a distasteful practice. To successfully direct market goats, a producer needs to be located near a large urban area with a substantial ethnic population. Many producers feel that the potential of livestock theft is also increased because of direct marketing.

In recent Cooperative Extension survey, fifty-four percent (54%) of the producers said that they had used on-farm sales to market their goats, which encompasses direct sales to consumer, sales to traders and sales of breeding stock.

Strategies to improve direct marketing would be to initiate a breeding schedule so that goats of the desired age and weight are available for the targeted ethic group and to advertise in local newspaper and at local institutions, e.g. mosque, ethnic supermarket, ethnic restaurant, etc., in a metropolitan area with a large ethnic population. Producers should maintain a mailing list and send out notices of availability periodically. Providing transportation for animals purchased to a custom-exempt slaughter facility may boost sales to people who want to buy a goat but do not have the means to transport it. Many of consumers looking to buy the live animal will prefer to slaughter it themselves and not take it to a custom-exempt plant. Providing an isolated area on the farm for slaughter after the sale will increase sales to this large group. Another strategy is value-added processing primarily in the form of sausages. This strategy probably offers the greatest overall profit margin and allows for year-round marketing. However, the cost of equipment and the complexity of market development may discourage some producers.

Cooperative Marketing

Cooperative marketing probably yields the greatest economic power for the producer due to its collective structure. Until recently in Virginia it was only used to meet the seasonal demand of Easter kids. A Virginia dairy goat association has for several years held an Easter kid sale where a buyer from the Midwest comes to Virginia, purchases the kids for a premium and trucks them to processors in the Northeast. Kids in good condition weighing between 15 and 40 lbs. will fetch 15 to 25ϕ per lb more than if they were marketed through a livestock auction. In recent years, the dairy goat association has expanded to include Christmas kid sales.

Recently, an effort was made to cooperatively market sheep and goats in northern Virginia. The impetus for this marketing initiative was the establishment of a halal slaughter facility in the region. Earlier, we heard a report on this initiative called the Old Dominion Livestock Cooperative.

Strategies for effective cooperative marketing would be to gather several producers into a collective group, to ensure allegiance to the cooperative, and organize sales directly to consumers or to a processor. Initially, cooperative sales of goats to meet peak demand could be held and then expanded to include year-round sales.

Processors (Contract Sales)

Contract sales to processors or individuals is one of the least used marketing channels available to Virginia goat producers. Contract sales offer security in terms of pricing and markets but are a rarity. One New Jersey processor reportedly has contract agreements with goat producers in southeastern Virginia and eastern North Carolina. These contracts are generally for the Easter kid market to service the New York City market and were non-existent at other times of the year. Virginia has three USDA-inspected slaughter facilities that regularly process goats. All three cater to the Muslim market by conducting halal slaughter of cattle, sheep and goats. The author has visited two of the three facilities and was informed at one facility that it would not buy any of its goats locally because it did not want to go to dozens of sources to fulfill its weekly need of approximately 120 head of goats. That facility wanted the convenience of buying all of its slaughter goats from one source, which happens to be a very large trader trucking Angora goats in from Texas. The other slaughter facility, which processes over 150 goats per week, would buy local goats as long as it didn't interfere with its relationship with its regular supplier, another very large trader also trucking Angora goat in from Texas. If their supplier expressed any uneasiness about local goat purchases then that slaughter facility would cease to purchase local goats. The third facility, a recent venture, endeavors to acquire all of its slaughter goats locally but has had problems with supply. This is the same problem that a halal slaughter facility in southeastern North Carolina had. This on-again-off-again facility wished to stimulate local goat production and acquire all of its goats locally. Unfortunately, local supply was not large and the owner of the facility turned to Texas for its supply. Each of these four slaughter facilities require 250 to 400 animals per week to be profitable. Thus, the situation in Virginia and North Carolina is much like that in Florida where it is reported that there are too few goats in the state to service the processing plants, causing processors to turn to a steady and reliable source, i.e. Texas, for their inventory (Degner, 1996).

Strategies for improving this channel would be to increase production numbers in the state so that local purchases could fulfill the slaughter needs of the processor(s). Of course this is a longer-term strategy and will need several years if not decades to reach. In the short-term, producers can work with processors to fulfill times of peak demand, e.g. Easter, possibly al-Adha and al-Fitr in the future.

Conclusions

As can be deduced from National Agricultural Statistical Service and from Foreign Agriculture Service data, the demand for goat meat is increasing significantly. Domestic slaughter and imports continue to rise annually. However demand can be seasonal with Easter influencing significantly the number of goats slaughtered. The ethnic populations that fuel this demand are also increasing. Therefore the prospects for the meat goat industry are promising. However, the producer must adopt a market strategy that will maximize his or her profits. Traditional livestock marketing channels of livestock auctions and on-farm sales are two very popular channels for marketing goats in Virginia. Unlike other domestic species, the marketing of goats is amenable to marketing directly to the consumer.

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Appendix

Incomplete* list of recent international, national and regional meat goat production symposia held in the southeastern United States.

| Symposia/Conference | Date | Host/Place |
|--|----------------------|---|
| Southeast Regional Meat Goat Production Symposium | February 21-14, 1996 | Florida A&M University Tallahassee, FL |
| Goat Production and Marketing Opportunities in the South | August 19, 1995 | Louisiana State University Alexandria, LA |
| The Potential for the Boer Goat in the Southern United States | July 28, 1994 | Louisiana State University Baton Rouge, LA |
| The Emerging Meat Goat Industry | April 30, 1994 | Mid-Carolina Counc. Govt. Raleigh, NC |
| Meat Goat Marketing Seminar | November 6, 1993 | Mid-Carolina Counc. Govt. Raleigh, NC |
| International Conference on Meat Goat Production, Management and Marketing | July 8-10, 1992 | Texas A&M Univ. Laredo, TX |
| National Symposium on Goat Meat Production and Marketing | August 16-18, 1991 | Langston Univ. Tulsa, OK |
| International Goat Production Symposium | October 22-25, 1990 | Florida A&M University Tallahassee, FL |
| Spanish Meat Goats: An Alternative Enterprise in South Texas | July 13-14, 1990 | Texas A&M Univ. Kingsville, TX |

This list is not meant to be a comprehensive list of all goat conference and activities. Any oversight is unintentional.